

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-06 ISO-00 EPA-01 INT-05 GSA-01 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 IO-10

NEA-09 NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04

SIL-01 OMB-01 OES-03 CEQ-01 OIC-02 FEAE-00 PRS-01

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R 131716Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 5428

INFO AMEMBASSY CANBERRA

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DEPT PASS COMMERCE AND EPA

E.O. 11652: N/A

TAGS: EIND OECD

SUBJECT: INDUSTRY COMMITTEE WORKING PARTY ON ALUMINUM,  
FEBRUARY 6-7

REF: STATE 26670

1. SUMMARY. AD-HOC WP ON ALUMINUM MET FEB. 6-7, 1975  
TO EXAMINE INDUSTRY COMMITTEE'S GENERAL MANDATE TO CON-  
SIDER ADAPTATION PROCESS. WP AGREED TO COMPLETE REPORT  
IN 12 MONTHS ON ENERGY/RAW MATERIAL PRICES/AVAILABILITY,  
RECYCLING AND INFLATION. US WILL PREPARE CHAPTER ON  
RECYCLING/RECOVERY. USDEL SUCCESSFULLY RESISTED  
EFFORTS BY SEVERAL EUROPEAN DELEGATIONS TO EXTEND WP  
MANDATE INDEFINITELY TO PROVIDE "CONTINUOUS INDUSTRY  
SURVEILLANCE." USDEL COMPOSED OF MISSION  
OFFICER AND INDUSTRY ADVISORS ROBERT MAIER, KAISER  
ALUMINUM, AND FRANK JONES, ALCOA. END SUMMARY.  
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2. AD HOC WP MET FEB 6-7 TO CONSIDER GENERAL TERMS OF REFERENCE IN IC MANDATE TO REVIEW "ADAPTATION PROCESS IN ALUMINUM INDUSTRY." SECRETARIAT (HILL) EXPLAINED THAT SECGEN VAN LENNEP AND IC ARE INTERESTED IN KNOWING HOW KEY INDUSTRIES ARE ADJUSTING TO CHANGING ECONOMIC SITUATION, ESPECIALLY ENERGY/RAW MATERIAL PRICES AND AVAILABILITY.

3. AGENDA ITEMS 1 AND 2.

AGENDA ADOPTED WITHOUT DEBATE AND DIETRICH (FRANCE) WAS ELECTED CHAIRMAN.

4. AGENDA ITEM 3. GENERAL MANDATE.

WP PRAISED QUALITY OF LAST REPORT (DIE/IND/AL/74.6), BUT OBSERVED LATENESS OF REPORT DIMINISHED ITS UTILITY. WP AGREED NEW REPORT MUST BE DONE QUICKLY TO BE TOPICAL AT TIME OF PUBLICATION; IT SHOULD NOT BE CONCERNED WITH MARKET CONDITIONS BUT "UPSTREAM", I.E., NEW ENERGY SUPPLIES, RAW MATERIALS, AND CARTEL ACTION OF BAUXITE SUPPLIERS. INCONCLUSIVE DISCUSSION CENTERED ON RAMIFICATIONS OF INCREASING ROLE OF BAUXITE SUPPLIERS AS ALUMINUM PROCESSORS. AUSTRALIAN DEL WAS HIGHLY SENSITIVE TO COMMENTS ABOUT INTERNATIONAL BAUXITE ASSOCIATION (IBA) AND NOTED THAT:

- 1) IBA IS NOT A CARTEL AND DELEGATIONS ALLOWED "IMAGINATIONS TO RUN AWAY" IN SO AFFIRMING (HE CHALLENGED WP TO IDENTIFY ANY IBA "CARTEL-LIKE" ACTION);
- 2) SUGGESTED THAT WP'S CONCERN WITH ENERGY PRICES AND AVAILABILITY MAY BE EXAGGERATED SINCE NINETY PERCENT OF ENERGY USED TO PROCESS ALUMINUM IS HYDRO-ELECTRIC;
- 3) OBSERVED THAT INCREASING THE VALUE ADDED TO RAW MATERIALS IS A NATURAL ASPIRATION OF DEVELOPING COUNTRIES. AUSTRALIAN DEL CONCLUDED ANY DISCUSSION OF RAW MATERIALS MUST NOT BE LIMITED TO BAUXITE, BUT MUST INCLUDE CAUSTIC SODA, FLUORIDE, ETC. (WP REJECTED THIS OPINION AND RAW MATERIALS STUDY WILL FOCUS ON BAUXITE AND BAUXITE SUBSTITUTES.)

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5. WP AGREED THAT FOCUS ON ENERGY SHOULD CONCENTRATE ON PERCENTAGE OF ENERGY COSTS IN RELATION TO TOTAL COST AND THAT RECYCLING/RECOVERY SHOULD RELATE TO ENERGY SAVINGS/RAW MATERIAL SUBSTITUTION.

6. MOST EUROPEAN DELS SHOWED CONSIDERABLE DISINTEREST IN US PROPOSAL THAT RECYCLING BE INCLUDED IN STUDY. EUROPEANS SAW SCANT PROSPECTS FOR INCREASING RECOVERY

RATES; CONSIDERED RECOVERY MORE IN TERMS OF CONSUMPTION AND SECONDARY PROCESSING, AND WERE VAGUE RE RELATIONSHIP OF RECOVERY TO ENERGY AND RAW MATERIALS. USDEL MADE CASE THAT RECOVERY IS PRIORITY CONCERN AS IT RELATES TO ENERGY SAVINGS AND RAW MATERIAL SUBSTITUTIONS. WP CONCURRED AND USDEL AGREED TO BE RAPPORTEUR

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FOR RECYCLING/RECOVERY CHAPTER OF REPORT.

7. WP AGREED RELEVANCE OF INFLATION TO INDUSTRY IS ITS IMPACT ON CAPITAL FORMATION AND INVESTMENT. SEVERAL EUROPEAN DELS PROPOSED THAT WP MAINTAIN "CONTINUOUS INDUSTRY SURVEILLANCE" OF INVESTMENT PROJECTS. USDEL NOTED THAT "CONTINUOUS SURVEILLANCE" PROPOSAL EXCEEDED IC'S MANDATE TO WP, AND COULD NOT BE INCLUDED IN WP'S TERMS OF REFERENCE TO IC. SECRETARIAT SUPPORTED US VIEW, AND SUGGESTED THAT INTERESTED DELEGATIONS COULD

MAKE RECOMMENDATIONS TO COLLEAGUES ON IC THAT WP  
CONDUCT CONTINUOUS SURVEILLANCE.

8. AGENDA ITEM 4 - SPECIFIC TERMS OF REFERENCE

WP IS INSTRUCTED TO COMPLETE FINAL REPORT IN 12 MONTHS  
AND PRESENT PRELIMINARY CONCLUSIONS TO IC 1975 AUTUMN  
SESSION. REPORT WILL SEEK POLICY OPTIONS AND RECOMMEN-  
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DATIONS DESIGNED TO ASSIST GOVERNMENTS AND INDUSTRY IN  
ADAPTATION PROCESS, AND WILL FOCUS ON FOLLOWING:

- A) CHANGES IN ENERGY/RAW MATERIAL PRICES/AVAILABILITY  
AND THEIR EFFECT ON INDUSTRY;
- B) OPPORTUNITIES FOR SCRAP AND WASTE RECOVERY/RECY-  
CLING AND THEIR EFFECT ON ENERGY/RAW MATERIAL INPUTS;
- C) EFFECT OF INFLATION ON INVESTMENT AND CAPITAL  
FORMATION.

RAPPORTEURS WILL PREPARE EXTENDED OUTLINE TO BE PRESENTED  
TO WP AT ITS MID-JUNE 1975 MEETING.

ACTION REQUESTED.

APPROPRIATE WASHINGTON AGENCIES PROVIDE IDEAS, GUIDANCE  
AND INFORMATION RE DEFINITIVE OUTLINE FOR CONCISE  
REPORT ON WASTE/SCRAP RECOVERY AND RECYCLING IN PRIMARY  
AND SECONDARY ALUMINUM INDUSTRY.  
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